

Report to Cabinet

20th September 2018

By the Cabinet Member for Community and Wellbeing

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt – Appendix 1 Exempt under Part 1 of
Schedule 12A to the Local Government Act 1972

Rowan Drive, Billingshurst. Approval of a supplementary capital budget

Executive Summary

On 22nd March 2018, Cabinet approved the appointment of a contractor to proceed with the construction of 17 residential units on two development sites at Peary Close and Rowan Drive within an approved budget allocation of £3m. Both projects were subject to planning consent being received.

The Council continues to have a requirement for additional temporary accommodation to support families in housing need and to reduce the Council's use of bed and breakfast accommodation.

Planning consent was obtained for the redevelopment of Peary Close. The contract was subsequently let and works have commenced on site, with a target completion date of 17th May 2019.

The proposed redevelopment of Rowan Drive was deferred at planning committee stage, owing to objections received during the planning process. The scheme was redesigned and resubmitted in order to address the key objection. The new scheme will now be considered by the planning committee.

Three additional cost elements have arisen since March 2018; firstly, the cost of the redesign of Rowan Drive secondly, additional costs arising from the decoupling of the two construction projects and thirdly, the payment of Community Infrastructure Levy (CIL) which is unexpectedly due because temporary accommodation is not excluded from CIL.

As a result of these factors, Cabinet is requested to approve an additional capital budget allocation of £175,000, which will increase the overall capital budget envelope to £3,175,000 and to recommend Council to approve a supplementary capital budget for this purpose. The proposed additional budget is net of savings achieved through the management of the projects during pre-construction design process.

The Council continues to work with the contractor approved by Cabinet on the 22nd March and the revised capital budget envelope is based on the contract sum agreed with them. The breakdown of the contract sum and additional cost elements is included in exempt appendix 1.

Recommendations

For Cabinet to:

- i) Approve an increase in the capital budget envelope from £3m to £3.175m and
- ii) To recommend to Council that a supplementary capital budget of £175,000 is approved for this project.

Reasons for Recommendations

To enable the Council to provide additional temporary accommodation for eligible families in housing need.

Background Papers

None

Wards affected: All

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Background Information

1 Introduction and Background

- 1.1 The Council has a requirement for additional temporary residential accommodation for the purpose of housing eligible families in need and to reduce the Council's reliance on bed and breakfast accommodation.
- 1.2 It is proposed to develop 17 residential units for these purposes. One site is a former scout hut at Peary Close, Horsham, where construction has commenced on 8 units and the other is a sub-standard block of garages in Rowan Drive, Billingshurst, where planning consent is being sought for 9 residential units. The current approved budget allocation of £3,000,000 spans 2017/18 and 2018/19.
- 1.3 Unexpected cost increases have arisen because of
 - (i) Additional design input required as a result of objections received during the planning application process for Rowan Drive
 - (ii) The decoupling of the timing of the two projects owing to delays on Rowan Drive, which means that some cost efficiencies have been lost and
 - (iii) The application of CIL to the two schemes.
- 1.4 These cost increases require an additional capital budget allocation of £175,000. The details of the additional costs are set out in Appendix 1 (Exempt).
- 1.5 The new units will produce an income of c£118,000 pa net of a 20% allowance for void and management costs. Subject to approval the capital budget will increase to £3.175m, which will be funded by commuted sums. On completion, the projects are forecast to deliver a 3.7% return on capital invested, compared to the 4% originally envisaged when Cabinet approved the proposal on the 22nd March 2018. These figures ignore the potential cost saving from decanting families from bed and breakfast accommodation.

2 Relevant Council policy

- 2.1 The development of residential property for temporary accommodation supports the Council's statutory responsibility to provide accommodation for families in housing need. The Council has a shortfall of accommodation, which means that expensive bed and breakfast accommodation is often used and development of further accommodation will reduce such expenditure.

3 Details

- 3.1 The Council currently manages 76 units of temporary residential property throughout Horsham District. This is used to discharge the Council's statutory duty pursuant to Part VII of the Housing Act 1996 (as amended). The demand for temporary accommodation has increased following the implementation of the Homeless Reduction Act 2018, as the duties towards homeless households are expanded.

- 3.2 The two sites, at Peary Close and Rowan Drive, are surplus parcels of land, which can, subject to planning, be developed to provide 17 residential units for use as temporary accommodation, consisting of 5 one bed units and 12 two bed units. There continues to be an imbalance of demand and supply in the Council's temporary housing portfolio and there are currently 28 (end of July 2018) households in bed and breakfast. These developments will increase the size of the temporary portfolio to 93 units and will enable the Council to reduce reliance upon costly and inappropriate bed and breakfast accommodation and provide capacity to review the temporary accommodation portfolio. .
- 3.3 Planning application was secured on Peary Close and the contract has been let and construction commenced. A revised scheme for Rowan Drive is being considered by the planning committee on the 18th September 2018. This proposal for the approval of a supplementary capital budget is conditional on a satisfactory planning permission being obtained.
- 3.4 The recommended supplementary capital budget is required because of additional costs in three areas. The cost allocation for these elements is included in exempt appendix 1:

(i) Design Changes.

The original design for Rowan Drive incorporated a flat roof, but objections were received during the planning process saying that this was out of character with the locality. These objections have been taken on board and a new design has been submitted for planning, which incorporates a pitched roof.

(ii) Decoupling costs

The original proposal was to let the two contracts together, which would bring efficiency savings because of the opportunity to combine meetings with the professional team and would reduce contractor preliminaries. The delay to Rowan Drive has meant that this could not be achieved which will result in increased costs.

(iii) Community Infrastructure Levy (CIL)

While affordable housing is exempt from CIL, unfortunately owing to the definitions within the planning legislation, temporary accommodation is not. This means that the Council will need to incur this expenditure despite the fact that these units will be let to families in housing need at affordable rents.

4 Next Steps

- 4.1 Approval of the supplementary capital budget will allow the development to proceed and works to commence on Rowan Drive in November 2018, subject to planning.

5 Outcome of Consultations

- 5.1 Comments from the Monitoring Officer and Director of Resources are incorporated in this report.

- 5.2 The Finance and Assets Policy Development and Advisory Group agreed in principle with this development.

6 Resource Consequences

- 6.1 The project will provide an income return to the Council, albeit less than the 4% return originally envisaged. However this return does not include the savings on bed and breakfast costs that should reduce as a result of this additional temporary accommodation.
- 6.2 As with all developments, there are financial risks but these risks have been substantially closed. The contract sum for Peary Close passes all construction risk, including in ground risks, to the contractor. The contract sum for Rowan Drive retains the risk for additional costs to the Council if contamination is found on site and a contingency has been allocated for this.

7 Legal Consequences

- 7.1 The Constitution requires Council to approve supplementary budgets.

8 Risk Assessment

- 8.1 As previously stated there are risks associated with property development, however the risk register does not identify any out of the ordinary risks and a contingency has been set aside for this eventuality.

9 Other Considerations

- 9.1 There are no impacts on human rights or disability access. The new schemes incorporate the possibility of electricity charging points being installed for resident's cars at a future date, if required.